

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of McBain	County Missaukee
Fiscal Year End April 30, 2008	Opinion Date July 7, 2008	Date Audit Report Submitted to State August 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

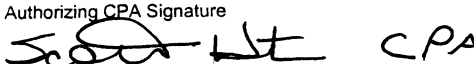
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter and SAS 114 Letter	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature  CPA		Printed Name Scott A. Hunter, C.P.A.	
		License Number 1101009890	

CITY OF MCBAIN, MICHIGAN

APRIL 30, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF MCBAIN, MICHIGAN

APRIL 30, 2008

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July 7, 2008

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of McBain, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McBain, Michigan, as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of McBain, Michigan, management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McBain Michigan, as of April 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2008, on our consideration of the City of McBain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xiii and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McBain, Michigan, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

Management's Discussion and Analysis

The management of the City of McBain, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2008, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$3,720,869 (shown as *Net Assets*), representing a decrease of \$54,543 from the previous fiscal year. Governmental Funds had a \$528 increase, while Business-Type activities had a \$55,071 decrease.

Fund Level Financial Highlights

- ❖ As of April 30, 2008, the governmental funds of the City of McBain reported combined ending fund balances of \$337,716, of which \$322,180 was unreserved and undesignated.
- ❖ The unreserved fund balance of the City's General Fund increased this year to \$248,761.

Long-Term Debt

- ❖ The City of McBain's total long-term debt decreased by \$12,000 during the fiscal year.

Overview of the Financial Statements

The City of McBain's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the City's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the City's assets and liabilities, the difference between the two being reported as the Net Assets of the City. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2008

position of the City is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the City include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The City's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund and Fire Fund. The major Proprietary Funds include the Water Fund and Sewer Fund.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of McBain uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the City's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual basis of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the City include the General Fund as well as the special revenue and capital project funds.

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2008

Proprietary Funds Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the City. The City does not maintain any internal service funds.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs. These funds are accounted for using the full accrual method of accounting, much like the Proprietary funds.

Component Units The City's financial report includes reporting on separate legal entities for which the City has some level of financial responsibility. These funds are shown in a separate column. The City's component units include the Downtown Development Authority and the Tax Increment Finance Authority.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 15 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found on Page 29 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City are \$3,720,869 at April 30, 2008, meaning that the City's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in net assets over the previous year.

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

City of McBain
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 363,222	\$ 345,055	\$ 217,117	\$ 214,433	\$ 580,339	\$ 559,488
Capital Assets	1,935,501	1,940,923	1,261,101	1,332,626	3,196,602	3,273,549
Total Assets	2,298,723	2,285,978	1,478,218	1,547,059	3,776,941	3,833,037
Current and Other Liabilities	25,014	12,797	13,058	14,828	38,072	27,625
Long-Term Liabilities	0	0	18,000	30,000	18,000	30,000
Total Liabilities	25,014	12,797	31,058	44,828	56,072	57,625
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	1,935,501	1,940,923	1,231,101	1,290,626	3,166,602	3,231,549
Restricted	0	0	42,228	41,936	42,228	41,936
Unrestricted	338,208	332,258	173,831	169,669	512,039	501,927
Total Net Assets	\$ 2,273,709	\$ 2,273,181	\$ 1,447,160	\$ 1,502,231	\$ 3,720,869	\$ 3,775,412

The most significant portion of the City's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$512,039 in unrestricted net assets. These assets represent resources that are available for appropriation.

The total net assets of the City decreased \$54,543 in this fiscal year, which is an indicator that the City experienced negative financial growth during the year. As a result, the City ended the fiscal year in slightly worse condition than when the year started.

The following table summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the Government-wide Statement of Activities.

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2008

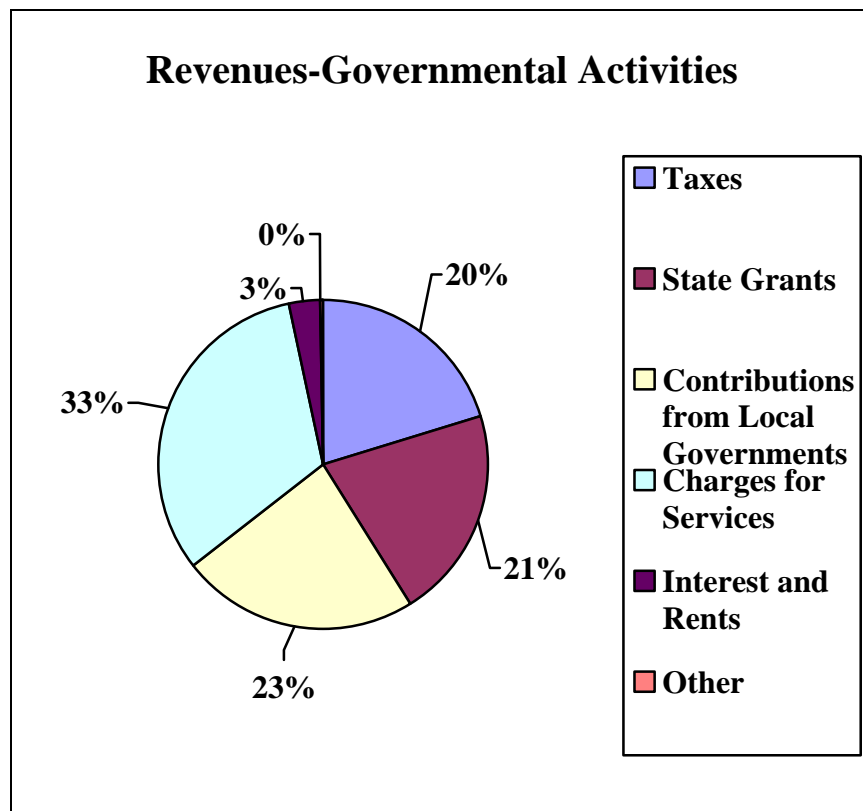
City of McBain
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 185,361	\$ 180,218	\$ 73,519	\$ 77,288	\$ 258,880	\$ 257,506
Operating Grants and Contributions	100,908	90,390	2,000	800	102,908	91,190
Capital Grants and Contributions	100,000	125,556	0	0	100,000	125,556
General Revenues						
Property Taxes and Assessments	115,583	109,871	11,574	11,091	127,157	120,962
State Shared Revenue	53,041	53,296	0	0	53,041	53,296
Investment Earnings	11,286	7,583	3,340	3,522	14,626	11,105
Rent	5,501	0	0	0	5,501	0
Transfers	0	(5,000)	0	5,000	0	0
Other	1,762	24,538	1,700	1,743	3,462	26,281
Total Revenues	573,442	586,452	92,133	99,444	665,575	685,896
<u>Expenses</u>						
Legislative	3,750	3,950	0	0	3,750	3,950
General Government	173,048	188,074	0	0	173,048	188,074
Public Safety	88,764	71,501	0	0	88,764	71,501
Public Works	191,023	190,824	0	0	191,023	190,824
Planning	9,797	8,852	0	0	9,797	8,852
Recreation and Culture	18,398	17,895	0	0	18,398	17,895
Economic Development/Assistance	7,077	19,058	0	0	7,077	19,058
Capital Outlay	504	7,437	0	0	504	7,437
Water and Sewer	0	0	147,204	154,519	147,204	154,519
Other Functions	80,553	74,157	0	0	80,553	74,157
Total Expenses	572,914	581,748	147,204	154,519	720,118	736,267
Increase (Decrease) in Net Assets	528	4,704	(55,071)	(55,075)	(54,543)	(50,371)
Beginning Net Assets	2,273,181	2,268,477	1,502,231	1,557,306	3,775,412	3,825,783
Ending Net Assets	<u>\$ 2,273,709</u>	<u>\$ 2,273,181</u>	<u>\$ 1,447,160</u>	<u>\$ 1,502,231</u>	<u>\$ 3,720,869</u>	<u>\$ 3,775,412</u>

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

Governmental Activities

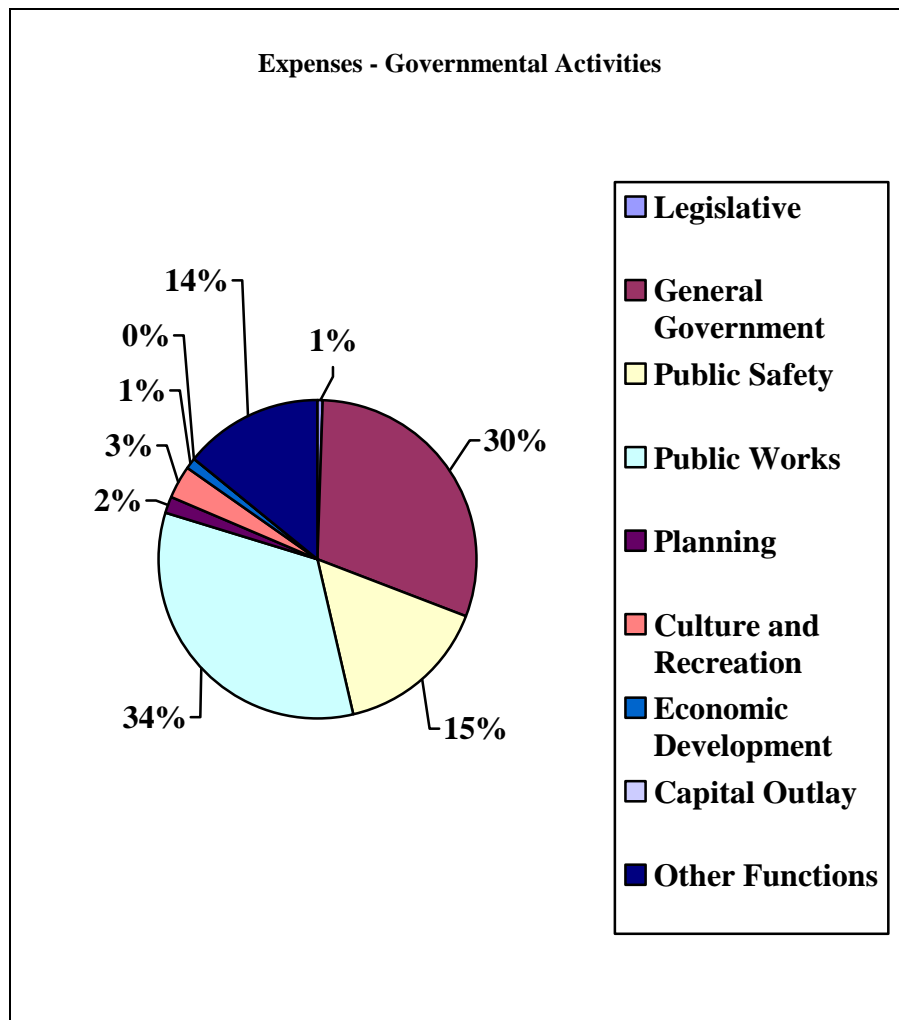
The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended April 30, 2008:



The most significant portion of the revenue for all governmental activities of the City of McBain comes from Charges for Services (33%). This figure includes refuse collection fees, charges to other funds and component units for use of City-owned equipment, and charges to other funds and component units for labor.

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

The following chart depicts expenses of the governmental activities of the City for the fiscal year ended April 30, 2008:



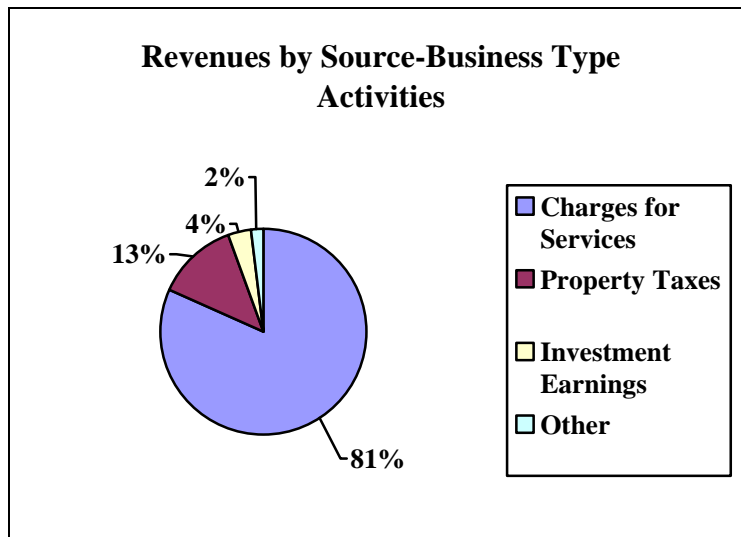
The City's governmental activities expenses are dominated by the General Government and Public Works expenses that total 64% of total expenses. The City spent \$191,023 in FY2008 on Public Works. General Government represented the next largest expense at \$173,048, or 30% of total expenses within the governmental activities. Expenses in the Major Street Fund and Local Street Fund represent a large part of the Public Works expenditures.

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

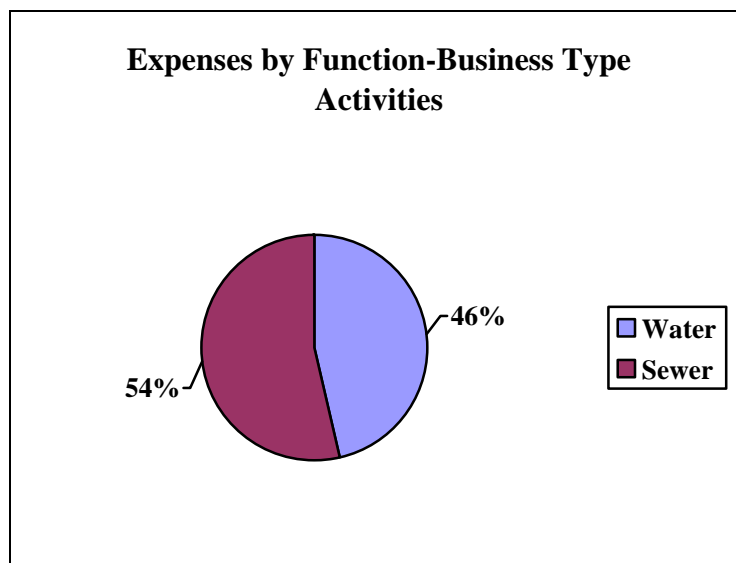
Business-Type Activities

The following charts illustrate the revenue and expense activity within the City's business-type activities. These activities accounted for a decrease of \$55,071 in the City's Net Assets.

The Business-type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.



The Water and Sewer activities represent all of the business-type activities of the City.



CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

Financial Analysis of the Government's Funds

Governmental Activities – At the completion of the City's fiscal year ended April 30, 2008, its governmental funds reported fund balances of \$337,716. All of this amount is unreserved.

General Fund – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$18,591, bringing the balance to \$248,761.

Major Street Fund – The fund balance of the Major Street Fund ended the year at \$23,828. This was an increase of \$789 from the previous year.

Local Street Fund – The fund balance of the Local Street fund is \$588, a reduction of \$2,126 from the previous year.

Fire Fund – The Fire Fund ended the year with a \$5,632 fund balance. This is an improvement of \$3,580 over last year.

Proprietary Funds The City's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$396,146 in unrestricted net assets. Operating revenues decreased from \$41,322, in 2007 to \$36,548. The net assets of the fund decreased by \$28,046, in 2008. This fund has no long-term debt and remains in sound fiscal condition moving forward.

Sewer Fund – The Sewer Fund ended this fiscal year with \$1,051,014 in unrestricted net assets. Operating revenues increased from \$35,966, in 2007 to \$36,971. The net assets of the fund decreased by \$27,025 in 2008.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for the governmental and business-type activities as of April 30, 2008 amounted to \$3,196,602 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

City of McBain
Capital Assets as of April 30, 2008

	Governmental Activities	Business-Type Activities	Total Primary Government
Land and Land Improvements	\$ 725,922	\$ 88,703	\$ 814,625
Infrastructure	949,925	0	949,925
Buildings	295,325	90,537	385,862
Improvements Other Than Buildings	0	2,760,713	2,760,713
Machinery and Equipment	1,130,226	154,948	1,285,174
Total Assets	3,101,398	3,094,901	6,196,299
Less Accumulated Depreciation	1,165,897	1,833,800	2,999,697
Fixed Assets, Net of Depreciation	\$ 1,935,501	\$ 1,261,101	\$ 3,196,602

Major capital asset events during FY2008 included the following:

- Toro Mower at a cost of \$11,848.
- Fire Truck and Equipment at a cost of \$100,295.

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements section.

Long-Term Debt. As of April 30, 2008, the City had total bonded debt outstanding of \$30,000 which is backed by the full faith and credit of the City. The City levies 1.5 mills on all real property to help service this debt which is reported in the Sewer Fund.

Economic Outlook for the City of McBain

In the 2007-2008 fiscal year in the City of McBain the following were significant developments:

1. Subway built and opened a new restaurant.
2. Roger Bazuin opened a new mulching operation in the McBain Industrial Park.
3. Phoenix Communications (aka Pine River Cable) moved its headquarters to McBain, purchased Rural Tec internet company, increased its employment to 15 people, and purchased two out of state companies to move into the national communications scene.

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2008

Developments underway for 2008-2009 include:

1. Biewer Sawmill's first phase of a \$20 million modernization and expansion. The City of McBain is committed to closing part of Gerwoude Drive to make way for this expansion.
2. NextGen is planning on breaking ground on their \$120 million ethanol plant in the City of McBain.
3. TJ's Trucking is planning a 10,000 square foot addition to its industrial park facility.
4. Ingenco Distributed Energy is doing a feasibility study on a large anaerobic digester project, possibly in the McBain Industrial area.
5. Major streetscape renovations are planned for the downtown business district.

Contacting the City's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of McBain, 508 West Maple Street, McBain, Michigan 49657, or call us at (231) 825-2322.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS

APRIL 30, 2008

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
Cash	\$ 344,233	\$ 173,889	\$ 518,122	\$ 717,339
Receivables				
Taxes	492	0	492	9,330
Accounts	680	1,000	1,680	2,079
Interest	0	0	0	115
Mortgages and Notes	0	0	0	560,367
External Parties (Fiduciary Funds)	1,328	0	1,328	0
Due from Other Governments	16,489	0	16,489	37
Total Current Assets	363,222	174,889	538,111	1,289,267
<u>RESTRICTED ASSETS</u>				
Cash	0	38,320	38,320	0
Property Assessments Receivable	0	3,908	3,908	0
Total Restricted Assets	0	42,228	42,228	0
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	725,922	88,703	814,625	112,265
Infrastructure	949,925	0	949,925	0
Buildings	295,325	90,537	385,862	150,000
Improvements Other Than Buildings	0	2,760,713	2,760,713	44,664
Machinery and Equipment	1,130,226	154,948	1,285,174	25,000
	3,101,398	3,094,901	6,196,299	331,929
Less Accumulated Depreciation	1,165,897	1,833,800	2,999,697	6,696
Net Capital Assets	1,935,501	1,261,101	3,196,602	325,233
TOTAL ASSETS	\$ 2,298,723	\$ 1,478,218	\$ 3,776,941	\$ 1,614,500

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS

APRIL 30, 2008

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 22,144	\$ 933	\$ 23,077	\$ 91
Salaries Payable	2,833	0	2,833	0
Accrued Interest	0	125	125	0
Due to Other Governments	37	0	37	128
Current Portion of Long-Term Debt	0	12,000	12,000	0
Total Current Liabilities	25,014	13,058	38,072	219
<u>LONG-TERM LIABILITIES</u>				
Revenue Bonds	0	18,000	18,000	0
TOTAL LIABILITIES	25,014	31,058	56,072	219
<u>EQUITY</u>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,935,501	1,231,101	3,166,602	325,233
Restricted for Debt Service	0	42,228	42,228	0
Unrestricted	338,208	173,831	512,039	1,289,048
TOTAL NET ASSETS	2,273,709	1,447,160	3,720,869	1,614,281
TOTAL LIABILITIES & NET ASSETS	\$ 2,298,723	\$ 1,478,218	\$ 3,776,941	\$ 1,614,500

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
Legislative	\$ 3,750	\$ 0	\$ 0	\$ 0	\$ (3,750)	\$ 0	\$ (3,750)	\$ 0
General Government	173,048	72,916	0	0	(100,132)	0	(100,132)	0
Public Safety	88,764	0	33,000	100,000	44,236	0	44,236	0
Public Works	191,023	112,445	67,908	0	(10,670)	0	(10,670)	0
Planning	9,797	0	0	0	(9,797)	0	(9,797)	0
Recreation and Culture	18,398	0	0	0	(18,398)	0	(18,398)	0
Economic Development and Assistance	7,077	0	0	0	(7,077)	0	(7,077)	0
Capital Outlay	504	0	0	0	(504)	0	(504)	0
Other Functions	80,553	0	0	0	(80,553)	0	(80,553)	0
Total Governmental Activities	572,914	185,361	100,908	100,000	(186,645)	0	(186,645)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water System	68,400	36,548	2,000	0	0	(29,852)	(29,852)	0
Sewer System	78,804	36,971	0	0	0	(41,833)	(41,833)	0
Total Business-Type Activities	147,204	73,519	2,000	0	0	(71,685)	(71,685)	0
TOTAL PRIMARY GOVERNMENT	720,118	258,880	102,908	100,000	(186,645)	(71,685)	(258,330)	0
<u>COMPONENT UNITS</u>								
Downtown Development Authority	20,164	0	0	0	0	0	0	(20,164)
Tax Increment Finance Authority	297,643	0	0	0	0	0	0	(297,643)
TOTAL COMPONENT UNITS	\$ 317,807	\$ 0	\$ 0	\$ 0	0	0	0	(317,807)
<u>GENERAL REVENUES</u>								
Property Tax					115,583	11,574	127,157	306,791
State Shared Revenue					53,041	0	53,041	0
Investment Earnings					11,286	3,340	14,626	44,548
Rent					5,501	0	5,501	14,100
Other					1,762	1,700	3,462	6
Total General Revenues					187,173	16,614	203,787	365,445
Change in Net Assets					528	(55,071)	(54,543)	47,638
<u>NET ASSETS</u> - Beginning of Year					2,273,181	1,502,231	3,775,412	1,566,643
<u>NET ASSETS</u> - End of Year					\$ 2,273,709	\$ 1,447,160	\$ 3,720,869	\$ 1,614,281

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
APRIL 30, 2008

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE FUND	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>						
Cash	\$ 244,625	\$ 21,301	\$ 6,069	\$ 5,632	\$ 66,606	\$ 344,233
Receivables						
Taxes	492	0	0	0	0	492
Accounts	680	0	0	0	0	680
Due from Other Funds	7,526	150	0	0	0	7,676
Due from Other Governments	7,076	7,004	2,409	0	0	16,489
TOTAL ASSETS	\$ 260,399	\$ 28,455	\$ 8,478	\$ 5,632	\$ 66,606	\$ 369,570
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 8,276	\$ 4,627	\$ 1,542	\$ 0	\$ 7,699	\$ 22,144
Salaries Payable	2,833	0	0	0	0	2,833
Due to Other Funds	0	0	6,348	0	0	6,348
Due to Other Governments	37	0	0	0	0	37
Deferred Revenue	492	0	0	0	0	492
Total Liabilities	11,638	4,627	7,890	0	7,699	31,854
<u>FUND BALANCE</u>						
Unreserved:						
Designated for:						
City Hall Equipment	0	0	0	0	9,904	9,904
Undesignated	248,761	23,828	588	0	49,003	322,180
Designated, Reported in						
Special Revenue Funds	0	0	0	5,632	0	5,632
Total Fund Balance	248,761	23,828	588	5,632	58,907	337,716
TOTAL LIABILITIES AND FUND BALANCE	\$ 260,399	\$ 28,455	\$ 8,478	\$ 5,632	\$ 66,606	\$ 369,570

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
APRIL 30, 2008

Total Fund Balances for Governmental Funds			\$	337,716
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				
Fixed Assets	\$	3,101,398		
Accumulated Depreciation		<u>(1,165,897)</u>		1,935,501
Receivables not expected to be collected within sixty days are treated as deferred revenue in the governmental funds				
Personal Property Taxes Receivable				<u>492</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$	<u><u>2,273,709</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2008

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE	NON- MAJOR FUNDS	TOTALS
<u>REVENUES</u>						
Taxes	\$ 115,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 115,329
State Grants	53,041	49,489	18,419	0	0	120,949
Contributions from Local Units	0	0	0	33,000	0	33,000
Charges for Services	184,011	0	0	0	1,350	185,361
Interest and Rents	15,040	713	441	77	516	16,787
Other Revenue	385	50	598	100,054	675	101,762
Total Revenues	367,806	50,252	19,458	133,131	2,541	573,188
<u>EXPENDITURES</u>						
Legislative	3,750	0	0	0	0	3,750
General Government	161,993	0	0	0	11,055	173,048
Public Safety	0	0	0	46,753	0	46,753
Public Works	52,277	49,463	21,584	0	0	123,324
Planning	9,797	0	0	0	0	9,797
Culture and Recreation	4,345	0	0	0	0	4,345
Economic Development and Assistance	0	0	0	0	7,077	7,077
Capital Outlay	0	0	0	99,298	19,547	118,845
Other Functions	80,553	0	0	0	0	80,553
Total Expenditures	312,715	49,463	21,584	146,051	37,679	567,492
Excess (Deficiency) of Revenues Over Expenditures	55,091	789	(2,126)	(12,920)	(35,138)	5,696
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	0	0	0	16,500	20,000	36,500
Transfers Out	(36,500)	0	0	0	0	(36,500)
Total Other Financing Sources (Uses)	(36,500)	0	0	16,500	20,000	0
Net Change in Fund Balance	18,591	789	(2,126)	3,580	(15,138)	5,696
<u>FUND BALANCE -</u>						
Beginning of Year	230,170	23,039	2,714	2,052	74,045	332,020
<u>FUND BALANCE -</u>						
End of Year	\$ 248,761	\$ 23,828	\$ 588	\$ 5,632	\$ 58,907	\$ 337,716

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2008

Net change in Fund Balance - Total Governmental Funds	\$ 5,696
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(123,763)
Capital Outlay	118,341
Under the modified accrual basis of accounting, revenue is recognized when measurable and available. The entity wide statements recognize revenue when earned.	
Deferred Revenue at the beginning of the year	(238)
Deferred Revenue at the end of the year	492
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 528</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
APRIL 30, 2008

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 125,243	\$ 48,646	\$ 173,889
Receivables			
Accounts	500	500	1,000
Total Current Assets	125,743	49,146	174,889
<u>NONCURRENT ASSETS</u>			
<u>RESTRICTED ASSETS</u>			
Cash	0	38,320	38,320
Property Assessments Receivable	0	3,908	3,908
Total Restricted Assets	0	42,228	42,228
<u>CAPITAL ASSETS</u>			
Land	0	88,703	88,703
Buildings	22,616	67,921	90,537
Improvements Other Than Buildings	945,480	1,815,233	2,760,713
Machinery and Equipment	37,818	117,130	154,948
	1,005,914	2,088,987	3,094,901
Less Accumulated Depreciation	735,034	1,098,766	1,833,800
Net Capital Assets	270,880	990,221	1,261,101
 TOTAL ASSETS	 \$ 396,623	 \$ 1,081,595	 \$ 1,478,218
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 477	\$ 456	\$ 933
Accrued Interest	0	125	125
Current Portion of Revenue Bonds	0	12,000	12,000
Total Current Liabilities	477	12,581	13,058
<u>LONG-TERM LIABILITIES</u>			
Revenue Bonds	0	18,000	18,000
Total Liabilities	477	30,581	31,058
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	270,880	960,221	1,231,101
Restricted for Debt Service	0	42,228	42,228
Unrestricted	125,266	48,565	173,831
 TOTAL NET ASSETS	 396,146	 1,051,014	 1,447,160
 TOTAL LIABILITIES AND NET ASSETS	 \$ 396,623	 \$ 1,081,595	 \$ 1,478,218

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED APRIL 30, 2008

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 36,548	\$ 36,971	\$ 73,519
<u>OPERATING EXPENSES</u>			
Personal Services	2,000	8,000	10,000
Contractual Services	1,205	900	2,105
Supplies	365	426	791
Heat, Light and Power	11,539	3,223	14,762
Depreciation and Amortization	29,183	42,342	71,525
Repairs and Maintenance	18,998	21,863	40,861
Miscellaneous	410	0	410
Total Operating Expenses	63,700	76,754	140,454
Operating Income (Loss)	(27,152)	(39,783)	(66,935)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Revenue	1,806	1,534	3,340
Interest and Fiscal Charges	0	(2,050)	(2,050)
Current Property Taxes	0	11,574	11,574
Miscellaneous	0	1,700	1,700
Wellhead Protection Grant	2,000	0	2,000
Wellhead Protection Expenses	(4,700)	0	(4,700)
Total Nonoperating Revenues (Expenses)	(894)	12,758	11,864
Change in Net Assets	(28,046)	(27,025)	(55,071)
<u>TOTAL NET ASSETS</u> - Beginning of Year	424,192	1,078,039	1,502,231
<u>TOTAL NET ASSETS</u> - End of Year	\$ 396,146	\$ 1,051,014	\$ 1,447,160

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 33,231	\$ 36,691	\$ 69,922
Cash Payments to Suppliers for Goods and Services	(33,180)	(27,519)	(60,699)
Cash Payments to Employees for Services	(2,000)	(8,000)	(10,000)
Other Operating Revenue	3,037	0	3,037

Net Cash Provided (Used) by Operating Activities

1,088	1,172	2,260
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Cash Flows from Capital and Related Financing Activities:

Grant Proceeds	2,000	0	2,000
Wellhead Protection Expenses	(4,700)	0	(4,700)
Principal Paid on Bonds	0	(12,000)	(12,000)
Interest Paid on Bonds	0	(2,050)	(2,050)
Property Taxes	0	11,975	11,975
Miscellaneous Revenue	0	1,700	1,700

Net Cash Provided (Used) for Capital and
Related Financing Activities

(2,700)	(375)	(3,075)
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Cash Flows from Investing Activities:

Interest Received	1,806	1,534	3,340
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Net Increase (Decrease) in Cash
and Cash Equivalents

194	2,331	2,525
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CASH AND CASH EQUIVALENTS - Beginning of Year

125,049	84,635	209,684
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CASH AND CASH EQUIVALENTS - End of Year

\$ 125,243	\$ 86,966	\$ 212,209
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The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
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RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (27,152)	\$ (39,783)	\$ (66,935)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	29,183	42,342	71,525
(Increase) Decrease in Current Assets			
Accounts Receivable	(280)	(280)	(560)
Increase (Decrease) in Current Liabilities			
Accounts Payable	(663)	(1,057)	(1,720)
Accrued Interest Payable	0	(50)	(50)
Total Adjustments	28,240	40,955	69,195
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,088	\$ 1,172	\$ 2,260

The accompanying notes are an integral part of the financial statements.

CITY OF CADILLAC, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
APRIL 30, 2008

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$ 1,454
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,328
Due to Other Governments	126
TOTAL LIABILITIES	1,454
<u>NET ASSETS</u>	\$ 0

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
COMPONENT UNITS

STATEMENT OF NET ASSETS
APRIL 30, 2008

	DOWNTOWN DEVELOPMENT AUTHORITY	TAX INCREMENT FINANCE AUTHORITY	TOTALS
<u>ASSETS</u>			
Cash	\$ 99,643	\$ 617,696	\$ 717,339
Receivables			
Accounts	0	2,079	2,079
Taxes	473	8,857	9,330
Interest	0	115	115
Loans	64,208	496,159	560,367
Due from Other Governments	37	0	37
Total Current Assets	<u>164,361</u>	<u>1,124,906</u>	<u>1,289,267</u>
<u>NONCURRENT ASSETS</u>			
<u>CAPITAL ASSETS</u>			
Land	40,602	71,663	112,265
Buildings	0	150,000	150,000
Improvements Other than Buildings	0	44,664	44,664
Equipment	0	25,000	25,000
	<u>40,602</u>	<u>291,327</u>	<u>331,929</u>
Less Accumulated Depreciation	0	6,696	6,696
Net Capital Assets	<u>40,602</u>	<u>284,631</u>	<u>325,233</u>
 TOTAL ASSETS	 <u>\$ 204,963</u>	 <u>\$ 1,409,537</u>	 <u>\$ 1,614,500</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 91	\$ 91
Due to Other Governments	128	0	128
Total Current Liabilities	<u>128</u>	<u>91</u>	<u>219</u>
<u>EQUITY</u>			
Net Assets:			
Invested in Capital Assets	40,602	284,631	325,233
Unrestricted	164,233	1,124,815	1,289,048
	<u>204,835</u>	<u>1,409,446</u>	<u>1,614,281</u>
Total Net Assets	<u>204,835</u>	<u>1,409,446</u>	<u>1,614,281</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 204,963</u>	 <u>\$ 1,409,537</u>	 <u>\$ 1,614,500</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
COMPONENT UNITS

STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<u>Downtown Development Authority</u>				
Economic Development and Assistance	\$ 19,560	\$ 0	\$ 0	\$ (19,560)
Interest on Long-Term Debt	604	0	0	(604)
	20,164	0	0	(20,164)
<u>Tax Increment Finance Authority</u>				
Economic Development and Assistance	297,643	0	0	(297,643)
TOTAL COMPONENT UNITS	\$ 317,807	\$ 0	\$ 0	(317,807)
<u>GENERAL REVENUES</u>				
	Property Tax			306,791
	Investment Earnings			44,548
	Rent			14,100
	Other			6
	Total General Revenues			365,445
	Change in Net Assets			47,638
	<u>NET ASSETS</u> - Beginning of Year			1,566,643
	<u>NET ASSETS</u> - End of Year			\$ 1,614,281

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of McBain, Michigan, was incorporated under the laws of the State of Michigan and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. Each blended and discretely presented component unit has an April 30 year end.

BLENDED COMPONENT UNITS

City of McBain Fire Department - The Fire Department of McBain, Michigan, an entity legally separate from the City, is governed by a board appointed by the City council. For financial reporting purposes, the Fire Department is reported as if it were part of the City's operations because its purpose is to provide fire protection to the citizens of the City and the townships of Riverside and Richland.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The members of the governing board of the Downtown Development Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

Tax Increment Finance Authority (TIFA) – The members of the governing board of the Tax Increment Finance Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

Financial statements of the individual component units are included as supplemental information in the annual financial report of the City of McBain, Michigan. The component units do not issue separate financial reports.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the City adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

CITY OF MCBAIN, MICHIGAN
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Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2008

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City of McBain reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Fire Fund* is a blended component unit used to account for the financial activity of the City of McBain fire department.

The City of McBain reports the following major proprietary funds:

The *Water Fund and Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the City's wastewater collection and treatment System.

Additionally the City of McBain reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2008

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2008

Investments - The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, certificates of deposit, and money market funds. The City does not have any investments other than interest bearing bank accounts.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. County and State Education taxes are levied and due July 1, and become delinquent after August 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. City property tax revenues are recognized when they become both measurable and available for use to finance City operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

3. Restricted Assets

Certain resources of the Sewer Fund which are set aside for repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond reserve" account is used to report resources set aside to make current debt service payments and to make up potential future deficiencies in the funds available for debt service.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2008

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	10
Equipment	5-10

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Prior to April 30, the City Clerk submits to the City Council a proposed operating budget for all governmental funds for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 30, the budget is legally enacted through passage of a budget ordinance. Budgets are submitted on a line-item basis but adopted by the Council on a major function basis.
4. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. No budget amendments were adopted during the year.
7. Encumbrance accounting is not used by the City.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash balances of most City funds are pooled and invested. Interest earned on the investments purchased with pooled cash is allocated back to each of the funds based on the fund's average equity balance. In addition, investments are separately held by several of the City's funds. The City's deposits and investments are all on deposit with Chemical Bank West. Other than interest bearing bank accounts, the City has no investments.

Investment rate risk. The City minimizes Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in interest bearing demand accounts.

Foreign currency risk. The City is not authorized to invest in investments, which have this type of risk.

Credit risk. The City minimizes Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the City's

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2008

investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the City will do business in accordance with the City's investment policy.

Concentration of credit risk. The City minimizes Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's deposits in a single bank, by investing in a high quality local bank.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of April 30, 2008, \$433,762 of the City's bank balances of \$567,770 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of April 30, 2008, \$517,696 of the component units' bank balances of \$717,382 was exposed to custodial credit risk because it was uninsured and uncollateralized.

B. Receivables

Receivables as of year end for the government's individual major funds and component units are as follows:

	General	Major Street	Local Street	Water	Sewer	Total Government	Component Units
Receivables							
Taxes and Assessments	\$ 492	\$ 0	\$ 0	\$ 0	\$ 3,908	\$ 4,400	\$ 9,330
Accounts	680	0	0	500	500	1,680	2,079
Interest	0	0	0	0	0	0	115
Mortgages and Notes	0	0	0	0	0	0	560,367
Due from Other Governments	7,076	7,004	2,409	0	0	16,489	37
Total Receivables	<u>\$ 8,248</u>	<u>\$ 7,004</u>	<u>\$ 2,409</u>	<u>\$ 500</u>	<u>\$ 4,408</u>	<u>\$ 22,569</u>	<u>\$ 571,928</u>

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (General Fund)	\$ 492

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2008

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 288,582	\$ 0	\$ 0	\$ 288,582
Capital assets, being depreciated				
Buildings	295,325	0	0	295,325
Land Improvements	437,340	0	0	437,340
Machinery and Equipment	1,011,885	118,341	0	1,130,226
Infrastructure	949,925	0	0	949,925
Total capital assets, being depreciated	2,694,475	118,341	0	2,812,816
Less accumulated depreciation for:				
Buildings	82,804	7,383	0	90,187
Land Improvements	187,996	19,318	0	207,314
Machinery and Equipment	465,223	56,493	0	521,716
Infrastructure	306,111	40,569	0	346,680
Total accumulated depreciation	1,042,134	123,763	0	1,165,897
Total capital assets, being depreciated, net	1,652,341	(5,422)	0	1,646,919
Governmental activities capital assets, net	\$ 1,940,923	\$ (5,422)	\$ 0	\$ 1,935,501
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 88,703	\$ 0	\$ 0	\$ 88,703
Capital assets, being depreciated				
Buildings	90,537	0	0	90,537
Improvements Other Than Buildings	2,760,713	0	0	2,760,713
Machinery and Equipment	154,948	0	0	154,948
Total capital assets, being depreciated	3,006,198	0	0	3,006,198
Less accumulated depreciation for:				
Buildings	64,339	2,529	0	66,868
Land Improvements	1,553,537	66,496	0	1,620,033
Machinery and Equipment	144,399	2,500	0	146,899
Total accumulated depreciation	1,762,275	71,525	0	1,833,800
Total capital assets, being depreciated, net	1,243,923	(71,525)	0	1,172,398
Business-type activities capital assets, net	\$ 1,332,626	\$ (71,525)	\$ 0	\$ 1,261,101

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Component Units</u>				
Capital assets, not being depreciated				
Land	\$ 91,050	\$ 21,215	\$ 0	\$ 112,265
Capital assets, being depreciated				
Buildings	150,000	0	0	150,000
Improvements Other Than Buildings	0	44,664	0	44,664
Machinery and Equipment	25,000	0	0	25,000
Total capital assets, being depreciated	175,000	44,664	0	219,664
Less accumulated depreciation for:				
Buildings	0	3,750	0	3,750
Improvements Other Than Buildings	0	1,279	0	1,279
Machinery and Equipment	0	1,667	0	1,667
Total accumulated depreciation	0	6,696	0	6,696
Total capital assets, being depreciated, net	175,000	37,968	0	212,968
Component Unit capital assets, net	\$ 266,050	\$ 59,183	\$ 0	\$ 325,233

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public Safety	\$ 42,011
Public Works	67,699
Culture and Recreation	14,053

Total governmental activities	<u>\$ 123,763</u>
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Business-type activities:

Water Fund	\$ 29,183
Sewer Fund	42,342

Total business-type activities	<u>\$ 71,525</u>
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CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2008

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at April 30, 2008, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 7,526	\$ 0
Major Street Fund	150	0
Local Street Fund	0	6,348
Tax Collection Fund	0	1,328
Downtown Development Authority	2,470	0
Tax Increment Finance Authority	0	2,470
	<u>\$ 10,146</u>	<u>\$ 10,146</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at April 30, 2008, are expected to be repaid within one year.

Interfund Transfers as of April 30, 2008, were:

<u>Primary Government</u>	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 36,500
Cemetery Fund	10,000	0
Fire Fund	16,500	0
Capital Outlay Equipment Fund	10,000	0
	<u>\$ 36,500</u>	<u>\$ 36,500</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2008

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the City of McBain for the year ended April 30, 2008:

Governmental Activities: None

Business-type activities:

	Revenue Bonds
Debt Payable at May 1, 2007	\$ 42,000
New Debt Incurred	0
Debt Retired	(12,000)
	<hr/>
Debt Payable at April 30, 2008	\$ 30,000
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\$340,000 Missaukee County Sanitary Sewer Collection, Treatment and Disposal System (McBain System No. 1) bonds due in annual installments of \$5,000 to \$13,000 through April 1, 2011; interest at 5.0% due April 1 and October 1, of each year.

\$ 30,000

The annual requirements to amortize the debt outstanding as of April 30, 2008, are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,000	\$ 1,500	\$ 13,500
2010	13,000	900	13,900
2011	5,000	250	5,250
	<hr/>		<hr/>
	\$ 30,000	\$ 2,650	\$ 32,650
	<hr/> <hr/>		<hr/> <hr/>

2. Component Units

The following is a summary of debt transactions of the City of McBain's discretely presented component units for the year ended April 30, 2008:

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2008

	Installment Purchase Agreement
Debt Payable at May 1, 2007	\$ 11,954
New Debt Incurred	0
Debt Retired	(11,954)
Debt Payable at April 30, 2008	<u>\$ 0</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the City has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

NET ASSETS

Restricted

Sewer Fund

Debt Service	\$ 42,228
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DESIGNATED FUND BALANCE

Special Revenue Funds

Fire Fund

Fire Equipment	\$ 5,632
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Capital Projects Funds

Capital Outlay Equipment Fund

City Hall Equipment	9,904
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Total Designated Fund Balance	<u>\$ 15,536</u>
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IV. OTHER INFORMATION

A. Mortgages and Notes Receivable

Mortgages and Notes Receivable as reported in the component units consist of the following:

Mortgages and notes made to private businesses to encourage development within the boundaries of the Downtown Development Authority and Tax Increment Finance Authority.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2008

B. Due from Other Governments

Amounts due from other governments consist of \$16,489 in state-shared revenues.

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which City carries commercial insurance.

D. Sale of Future Revenues

For several years, the City has sold its rights to delinquent real property tax revenues and related late payment penalties to the Missaukee County treasurer. For the 2007 tax roll, the City received a lump sum payment of \$5,216 for general operating tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the City will have to repay the county.

E. Retirement Benefits

The City funds retirement benefits by making direct contributions to a Money Purchase Plan. These accounts are the property of the employees and, therefore, are not treated as part of the City's reporting entity. The total pension cost for the year was \$8,894 and covered payroll was \$88,894.

F. Pledged Revenues

The City has pledged future sewer revenue in the amount of \$32,650, which is the amount of the remaining principal and interest on the sewer revenue bonds.

CITY OF MCBAIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED APRIL 30, 2008

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>												
Taxes	\$ 104,000	\$ 104,000	\$ 115,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	50,000	50,000	53,041	42,000	42,000	49,489	15,000	15,000	18,419	0	0	0
Contributions from Local Units	0	0	0	0	0	0	0	0	0	47,339	47,339	33,000
Charges for Services	105,000	105,000	184,011	0	0	0	0	0	0	0	0	0
Interest and Rents	6,251	6,251	15,040	50	50	713	25	25	441	200	200	77
Other Revenue	80,200	80,200	385	0	0	50	0	0	598	101,817	101,817	100,054
Total Revenues	345,451	345,451	367,806	42,050	42,050	50,252	15,025	15,025	19,458	149,356	149,356	133,131
<u>EXPENDITURES</u>												
Legislative	4,400	4,400	3,750	0	0	0	0	0	0	0	0	0
General Government	175,115	175,115	161,993	0	0	0	0	0	0	0	0	0
Public Safety	15,000	15,000	0	0	0	0	0	0	0	44,675	44,675	46,753
Public Works	71,700	71,700	52,277	51,450	51,450	49,463	35,150	35,150	21,584	0	0	0
Planning	16,540	16,540	9,797	0	0	0	0	0	0	0	0	0
Culture and Recreation	6,100	6,100	4,345	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0	0	107,000	107,000	99,298
Other Functions	159,000	159,000	80,553	0	0	0	0	0	0	0	0	0
Total Expenditures	447,855	447,855	312,715	51,450	51,450	49,463	35,150	35,150	21,584	151,675	151,675	146,051
Excess (Deficiency) of Revenues Over Expenditures	(102,404)	(102,404)	55,091	(9,400)	(9,400)	789	(20,125)	(20,125)	(2,126)	(2,319)	(2,319)	(12,920)
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In	0	0	0	0	0	0	5,000	5,000	0	0	0	16,500
Transfers Out	(32,500)	(32,500)	(36,500)	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(32,500)	(32,500)	(36,500)	0	0	0	5,000	5,000	0	0	0	16,500
Net Change in Fund Balance	(134,904)	(134,904)	18,591	(9,400)	(9,400)	789	(15,125)	(15,125)	(2,126)	(2,319)	(2,319)	3,580
<u>FUND BALANCE</u> - Beginning of Year	159,872	159,872	230,170	21,586	21,586	23,039	13,389	13,389	2,714	2,319	2,319	2,052
<u>FUND BALANCE</u> (DEFICIT) - End of Year	\$ 24,968	\$ 24,968	\$ 248,761	\$ 12,186	\$ 12,186	\$ 23,828	\$ (1,736)	\$ (1,736)	\$ 588	\$ 0	\$ 0	\$ 5,632

CITY OF MCBAIN, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET
APRIL 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 244,625	\$ 224,744
Receivables		
Taxes	492	238
Accounts	680	320
Due from Other Funds		
Local Street Fund	6,198	6,198
Current Tax Collection Fund	1,328	2,006
Due from Other Governments	7,076	7,356
TOTAL ASSETS	<u>\$ 260,399</u>	<u>\$ 240,862</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 8,276	\$ 6,585
Salaries Payable	2,833	3,832
Deferred Revenue	492	238
Due to Other Governments	37	37
Total Liabilities	11,638	10,692
<u>FUND BALANCE</u>		
Unreserved	248,761	230,170
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 260,399</u>	<u>\$ 240,862</u>

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 104,000	\$ 115,329	\$ 109,745
State Grants	50,000	53,041	53,296
Contributions from Local Units	0	0	125,556
Charges for Services	105,000	184,011	178,338
Interest and Rents	6,251	15,040	13,957
Other Revenue	80,200	385	2,372
Total Revenues	345,451	367,806	483,264
<u>EXPENDITURES</u>			
Legislative	4,400	3,750	3,950
General Government			
Executive	7,315	6,551	7,241
Elections	3,000	1,774	2,528
Independent Auditing	5,000	4,900	4,750
Attorney	5,000	10,394	3,857
Clerk	15,400	11,504	13,210
Board of Review	500	981	504
Treasurer	12,400	11,301	11,567
City Hall and Grounds	126,500	114,588	119,164
Public Safety	15,000	0	96,667
Public Works	71,700	52,277	80,271
Planning	16,540	9,797	8,852
Culture and Recreation	6,100	4,345	3,842
Other Functions	159,000	80,553	74,158
Total Expenditures	447,855	312,715	430,561
Excess (Deficiency) of Revenues Over Expenditures	(102,404)	55,091	52,703

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(32,500)	(36,500)	(39,975)
Net Change in Fund Balance	(134,904)	18,591	12,728
<u>FUND BALANCE</u> - Beginning of Year	159,872	230,170	217,442
<u>FUND BALANCE</u> - End of Year	<u>\$ 24,968</u>	<u>\$ 248,761</u>	<u>\$ 230,170</u>

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>TAXES</u>			
Current Property Tax	\$ 95,000	\$ 104,097	\$ 99,455
Trailer Fees	0	42	0
Property Tax Administration Fee	9,000	11,190	10,290
Total Taxes	104,000	115,329	109,745
<u>STATE GRANTS</u>			
Sales Tax	50,000	50,296	50,538
Public Act 48	0	2,745	2,758
Total State Grants	50,000	53,041	53,296
<u>CONTRIBUTIONS FROM LOCAL UNITS</u>			
Tax Increment Finance Authority	0	0	125,556
<u>CHARGES FOR SERVICES</u>			
Refuse Collection	30,000	34,791	32,881
Summer Tax Collection Fee	0	1,033	1,098
Industrial Park Maintenance	30,000	70,533	54,823
Equipment Rental	25,000	46,322	49,761
Labor	20,000	31,332	39,775
Total Charges for Services	105,000	184,011	178,338
<u>INTEREST AND RENTS</u>			
Interest	1,000	9,539	5,949
Rents	5,251	5,501	8,008
Total Interest and Rents	6,251	15,040	13,957
<u>OTHER REVENUE</u>			
Refunds and Miscellaneous	6,300	385	2,372
Revolving	73,900	0	0
Total Other Revenue	80,200	385	2,372
TOTAL REVENUES	\$ 345,451	\$ 367,806	\$ 483,264

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>LEGISLATIVE</u>			
Mayor and City Council			
Salaries	\$ 4,300	\$ 3,750	\$ 3,950
Dues	100	0	0
	4,400	3,750	3,950
<u>GENERAL GOVERNMENT</u>			
Supervisor			
Salaries	7,315	6,551	7,241
Elections			
Wages	3,000	1,774	2,528
Independent Auditing			
Independent Audit	5,000	4,900	4,750
Attorney			
Legal Fees	5,000	10,394	3,857
City Clerk's Office			
Salaries and Wages	10,500	9,621	11,371
Office Supplies	1,000	1,187	979
Ordinance	3,000	0	0
Printing and Publication	900	696	860
	15,400	11,504	13,210
Board of Review			
Salaries and Wages	500	981	504
Treasurer's Office			
Salaries and Wages	8,400	8,064	7,852
Office Supplies	4,000	3,237	3,715
	12,400	11,301	11,567

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
City Hall and Grounds			
Salaries and Wages	85,000	76,864	78,502
Repairs and Maintenance	30,000	26,762	27,862
Utilities	10,000	9,505	8,715
Telephone	1,500	1,457	1,219
Capital Outlay	0	0	2,866
	126,500	114,588	119,164
 Total General Government	 175,115	 161,993	 162,821
 <u>PUBLIC SAFETY</u>			
Improvements	10,000	0	56,336
Drainage	5,000	0	0
Generator	0	0	21,855
Security Cameras	0	0	18,476
	15,000	0	96,667
 <u>PUBLIC WORKS</u>			
Department of Public Works			
Refuse Disposal	31,700	33,065	33,340
Street Lighting	19,000	18,741	18,042
Recycling	1,000	471	0
Sewer	5,000	0	0
Water	5,000	0	0
Capital Outlay	10,000	0	28,889
	71,700	52,277	80,271

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>PLANNING</u>			
Planning and Zoning Commission			
Contracted Services	13,540	9,180	8,100
Engineering	3,000	392	300
Miscellaneous	0	225	452
	16,540	9,797	8,852
<u>CULTURE AND RECREATION</u>			
Christmas Decorations	1,500	992	1,306
Parks and Downtown	1,500	0	0
Miscellaneous	500	0	0
Trees and Flowers	2,600	3,353	2,536
	6,100	4,345	3,842
<u>OTHER FUNCTIONS</u>			
Miscellaneous	2,000	5,536	3,610
Revolving	73,900	0	0
Employee Benefits			
Social Security	10,000	9,053	9,765
Retirement	9,200	8,894	8,846
Health and Life Insurance	34,000	34,395	29,735
Unemployment	700	580	661
Uniforms	1,200	1,041	1,167
Insurance and Bonds	28,000	21,054	20,374
	159,000	80,553	74,158
TOTAL EXPENDITURES	\$ 447,855	\$ 312,715	\$ 430,561

CITY OF MCBAIN, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 21,301	\$ 5,452
Due from Other Funds	150	11,375
Due from Other Governments	7,004	7,250
	<hr/>	
TOTAL ASSETS	\$ 28,455	\$ 24,077
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,627	\$ 1,038
<u>FUND BALANCE</u>		
Unreserved	23,828	23,039
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 28,455	\$ 24,077
	<hr/>	

CITY OF MCBAIN, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
State Grants			
Act 51	\$ 42,000	\$ 49,489	\$ 50,807
Interest and Rents			
Interest	50	713	491
Other Revenue			
Miscellaneous	0	50	0
Total Revenues	42,050	50,252	51,298
<u>EXPENDITURES</u>			
Public Works			
Administration			
Salaries and Payroll Taxes	400	400	400
Audit Fees	750	800	750
Nonmotorized Construction	5,000	2,755	0
Repair and Maintenance	15,000	28,393	16,205
Snow Removal and Ice Control	25,000	15,123	20,797
Traffic Services	500	758	113
Roadside Parks	2,500	1,234	867
Capital Outlay	2,300	0	2,245
Miscellaneous	0	0	50
Total Expenditures	51,450	49,463	41,427
Excess (Deficiency) of			
Revenues Over Expenditures	(9,400)	789	9,871
<u>FUND BALANCE</u> - Beginning of Year	21,586	23,039	13,168
<u>FUND BALANCE</u> - End of Year	\$ 12,186	\$ 23,828	\$ 23,039

CITY OF MCBAIN, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 6,069	\$ 18,884
Due from Other Governments	2,409	2,441
TOTAL ASSETS	\$ 8,478	\$ 21,325
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 6,348	\$ 17,573
Accounts Payable	1,542	1,038
Total Liabilities	7,890	18,611
<u>FUND BALANCE</u>		
Unreserved	588	2,714
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,478	\$ 21,325

CITY OF MCBAIN, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
Act 51	\$ 15,000	\$ 18,419	\$ 18,183
Interest and Rents			
Interest	25	441	422
Other Revenue			
Miscellaneous	0	598	0
Total Revenues	15,025	19,458	18,605
<u>EXPENDITURES</u>			
Public Works			
Administration			
Salaries and Payroll Taxes	400	400	400
Audit Fees	750	800	750
Nonmotorized Construction	10,000	1,500	7,950
Repair and Maintenance	8,000	9,275	7,637
Snow Removal and Ice Control	15,000	8,810	14,068
Traffic Services	1,000	774	83
Miscellaneous	0	25	30
Total Expenditures	35,150	21,584	30,918
Excess (Deficiency) of			
Revenues Over Expenditures	(20,125)	(2,126)	(12,313)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	5,000	0	3,975
Net Change in Fund Balance	(15,125)	(2,126)	(8,338)
<u>FUND BALANCE</u> - Beginning of Year	13,389	2,714	11,052
<u>FUND BALANCE</u> (DEFICIT) - End of Year	\$ (1,736)	\$ 588	\$ 2,714

CITY OF MCBAIN, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 5,632	\$ 2,319
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 267
<u>FUND BALANCE</u>		
Unreserved		
Designated for Fire Equipment	5,632	0
Undesignated	0	2,052
Total Fund Balance	5,632	2,052
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,632	\$ 2,319

CITY OF MCBAIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Contributions from Local Units			
Yearly Assessment	\$ 47,339	\$ 33,000	\$ 21,400
Interest and Rents			
Interest	200	77	28
Other Revenues			
Donations-Private	0	0	1,200
Donations-Other Government Sources	100,000	100,000	495
Refunds and Miscellaneous	1,817	54	1,103
Total Revenues	149,356	133,131	24,226
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Chief's Salary	300	300	300
Treasurer's Salary	200	200	200
Quartermaster's Salary	200	200	50
Officers' Pay	500	500	200
Board Meeting	30	0	0
Dues	100	75	0
Worker's Compensation	1,150	1,232	1,159
Fire Runs and Meetings	7,800	6,068	3,080
Independent Audit	550	700	600
Communications	1,600	1,148	1,075
Gas and Oil	3,000	2,063	1,355
Foam	1,300	1,876	299
Insurance	11,500	11,716	11,162
Supplies	300	3,057	2,974
Repairs and Maintenance	10,000	11,543	9,580
Education and Training	1,675	943	0

CITY OF MCBAIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
Fire Prevention	200	0	0
Health and Safety	1,000	1,057	331
Miscellaneous	3,270	4,075	576
Capital Outlay			
Equipment	107,000	99,298	0
Total Expenditures	151,675	146,051	32,941
Excess (Deficiency) of Revenues Over Expenditures	(2,319)	(12,920)	(8,715)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	0	16,500	11,000
Net Change in Fund Balance	(2,319)	3,580	2,285
<u>FUND BALANCE</u> (DEFICIT) - Beginning of Year	2,319	2,052	(233)
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 5,632	\$ 2,052

CITY OF MCBAIN, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF NET ASSETS

APRIL 30,

	2008	2007
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 125,243	\$ 125,049
Receivables		
Accounts	500	220
Total Current Assets	125,743	125,269
<u>NONCURRENT ASSETS</u>		
<u>CAPITAL ASSETS</u>		
Buildings	22,616	22,616
Machinery and Equipment	37,818	37,818
Water Wells and Distribution System	945,480	945,480
Less Accumulated Depreciation	(735,034)	(705,851)
Net Fixed Assets	270,880	300,063
TOTAL ASSETS	\$ 396,623	\$ 425,332
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 477	\$ 1,140
<u>NET ASSETS</u>		
Invested in Capital Assets	270,880	300,063
Unrestricted	125,266	124,129
Total Net Assets	396,146	424,192
TOTAL LIABILITIES AND NET ASSETS	\$ 396,623	\$ 425,332

CITY OF MCBAIN, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEARS ENDED APRIL 30,

	2008	2007
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 35,948	\$ 38,867
Turn On Fees	600	2,455
Total Operating Revenues	<u>36,548</u>	<u>41,322</u>
<u>OPERATING EXPENSES</u>		
Clerk's Salary	2,000	2,000
Office Supplies and Expense	365	144
Collection Fees	150	150
Audit Fees	900	800
Engineering	0	447
Public Utilities	11,539	9,859
Repairs and Maintenance	18,998	28,401
Printing and Publication	305	343
Depreciation	29,183	29,310
Miscellaneous	260	300
Total Operating Expenses	<u>63,700</u>	<u>71,754</u>
Operating Income (Loss)	<u>(27,152)</u>	<u>(30,432)</u>
<u>NONOPERATING REVENUES AND (EXPENSES)</u>		
Interest Revenue	1,806	1,989
Wellhead Protection Grant	2,000	800
Wellhead Protection Expenses	(4,700)	(1,600)
Total Nonoperating Revenues and (Expenses)	<u>(894)</u>	<u>1,189</u>
Net Income (Loss)	(28,046)	(29,243)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>424,192</u>	<u>453,435</u>
<u>TOTAL NET ASSETS</u> - End of Year	<u>\$ 396,146</u>	<u>\$ 424,192</u>

CITY OF MCBAIN
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 33,231	\$ 39,907
Cash Payments to Suppliers for Goods and Services	(33,180)	(42,114)
Cash Payments to Employees for Services	(2,000)	(2,000)
Other Operating Revenue	3,037	2,455
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	1,088	(1,752)
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Grant Proceeds	2,000	800
Wellhead Protection Expense	(4,700)	(1,600)
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(2,700)	(800)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest Received	1,806	1,989
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	194	(563)
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	125,049	125,612
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 125,243	\$ 125,049
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ (27,152)</u>	<u>\$ (30,432)</u>
Adjustments to Reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation and Amortization	29,183	29,310
(Increase) Decrease in Current Assets		
Accounts Receivable	(280)	1,040
Increase (Decrease) in Current Liabilities		
Accounts Payable	<u>(663)</u>	<u>(1,670)</u>
Total Adjustments	<u>28,240</u>	<u>28,680</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,088</u></u>	<u><u>\$ (1,752)</u></u>

CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS

APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 48,646	\$ 47,008
Receivables		
Accounts	500	220
Total Current Assets	49,146	47,228
<u>RESTRICTED ASSETS</u>		
Debt Retirement Account		
Cash	38,320	37,627
Property Assessments Receivable	3,908	4,309
Total Restricted Assets	42,228	41,936
<u>CAPITAL ASSETS</u>		
Land	88,703	88,703
Land Improvements	1,815,233	1,815,233
Buildings	67,921	67,921
Machinery and Equipment	117,130	117,130
Total Capital Assets	2,088,987	2,088,987
Less Accumulated Depreciation	(1,098,766)	(1,056,424)
Net Capital Assets	990,221	1,032,563
TOTAL ASSETS	<u>\$ 1,081,595</u>	<u>\$ 1,121,727</u>

CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS

APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 456	\$ 1,513
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Accrued Interest Payable	125	175
Current Portion of Long-Term Debt	12,000	12,000
Total Current Liabilities (Payable from Restricted Assets)	12,125	12,175
<u>LONG-TERM LIABILITIES</u>		
Bonds Payable	18,000	30,000
Total Liabilities	30,581	43,688
<u>NET ASSETS</u>		
Invested in Capital Assets	960,221	990,563
Restricted for Debt Service	42,228	41,936
Unrestricted	48,565	45,540
Total Net Assets	1,051,014	1,078,039
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,081,595</u>	<u>\$ 1,121,727</u>

CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEARS ENDED APRIL 30,

	2008	2007
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 36,971	\$ 35,866
Miscellaneous	0	100
Total Operating Revenues	<u>36,971</u>	<u>35,966</u>
<u>OPERATING EXPENSES</u>		
Clerk's Salary	2,000	2,000
Salaries and Wages	6,000	6,000
Office Supplies and Expense	426	117
Audit Fees	900	900
Public Utilities	3,223	3,781
Repairs and Maintenance	21,863	20,079
Depreciation	42,342	41,919
Miscellaneous	0	3,765
Total Operating Expenses	<u>76,754</u>	<u>78,561</u>
Operating Income (Loss)	<u>(39,783)</u>	<u>(42,595)</u>
<u>NONOPERATING REVENUES AND (EXPENSES)</u>		
Current Property Tax Levy	11,574	11,091
Sale of Hay	1,700	1,743
Interest Revenue	1,534	1,533
Interest Expense	(2,050)	(2,604)
Total Nonoperating Revenues and (Expenses)	<u>12,758</u>	<u>11,763</u>
Net Income (Loss)	(27,025)	(30,832)
Capital Contribution from General Fund	<u>0</u>	<u>5,000</u>
Change in Net Assets	(27,025)	(25,832)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>1,078,039</u>	<u>1,103,871</u>
<u>TOTAL NET ASSETS</u> - End of Year	<u>\$ 1,051,014</u>	<u>\$ 1,078,039</u>

CITY OF MCBAIN, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 36,691	\$ 37,006
Cash Payments to Suppliers for Goods and Services	(27,519)	(32,157)
Cash Payments to Employees for Services	(8,000)	(8,000)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	1,172	(3,151)
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	0	(12,697)
Principal Paid on Bonds	(12,000)	(11,000)
Interest Paid on Bonds	(2,050)	(2,650)
Sale of Hay	1,700	1,743
Property Taxes Collected	11,975	11,547
Capital Contribution - General Fund	0	5,000
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	(375)	(8,057)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest Received	1,534	1,533
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	2,331	(9,675)
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	84,635	94,310
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 86,966	\$ 84,635
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (39,783)	\$ (42,595)
Adjustments to Reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation and Amortization	42,342	41,919
(Increase) Decrease in Current Assets		
Accounts Receivable	(280)	1,040
Increase (Decrease) in Current Liabilities		
Accounts Payable	(1,057)	(488)
Accrued Interest Payable	(50)	(46)
Due to Other Governments	0	(2,981)
Due to Other Funds	0	0
Total Adjustments	<u>40,955</u>	<u>39,444</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,172</u>	<u>\$ (3,151)</u>

CITY OF MCBAIN, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
APRIL 30, 2008

	CEMETERY FUND	LAND DEVELOPMENT FUND	CAPITAL OUTLAY EQUIPMENT FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 11,064	\$ 37,939	\$ 17,603	\$ 66,606
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 7,699	\$ 7,699
<u>FUND BALANCE</u>				
Unreserved:				
Designated for:				
City Hall Equipment	0	0	9,904	9,904
Undesignated	11,064	37,939	0	49,003
Total Fund Balance	11,064	37,939	9,904	58,907
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,064	\$ 37,939	\$ 17,603	\$ 66,606

CITY OF MCBAIN, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2008

	CEMETERY FUND	LAND DEVELOPMENT FUND	CAPITAL OUTLAY EQUIPMENT FUND	TOTALS
<u>REVENUES</u>				
Charges for Services	\$ 1,350	\$ 0	\$ 0	\$ 1,350
Interest and Rents	26	426	64	516
Other Revenue	675	0	0	675
Total Revenues	2,051	426	64	2,541
<u>EXPENDITURES</u>				
General Government	10,875	0	180	11,055
Economic Development and Assistance	0	7,077	0	7,077
Capital Outlay	0	0	19,547	19,547
Total Expenditures	10,875	7,077	19,727	37,679
Excess (Deficiency) of Revenues Over Expenditures	(8,824)	(6,651)	(19,663)	(35,138)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	10,000	0	10,000	20,000
Net Change in Fund Balance	1,176	(6,651)	(9,663)	(15,138)
<u>FUND BALANCE - Beginning of Year</u>	9,888	44,590	19,567	74,045
<u>FUND BALANCE - End of Year</u>	\$ 11,064	\$ 37,939	\$ 9,904	\$ 58,907

CITY OF MCBAIN, MICHIGAN
CEMETERY FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 11,064	\$ 9,888
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	11,064	9,888
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,064	\$ 9,888

CITY OF MCBAIN, MICHIGAN

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Charges for Services			
Grave Openings	\$ 200	\$ 1,350	\$ 1,880
Interest and Rents			
Interest	50	26	60
Other Revenues			
Sale of Cemetery Lots	500	675	1,450
Total Revenues	750	2,051	3,390
<u>EXPENDITURES</u>			
General Government			
Salaries and Wages	500	500	500
Utilities	125	97	108
Audit Fees	350	400	325
Repairs and Maintenance	22,000	9,853	24,320
Miscellaneous	125	25	0
Total Expenditures	23,100	10,875	25,253
Excess (Deficiency) of			
Revenues Over Expenditures	(22,350)	(8,824)	(21,863)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
Land Development Fund	0	0	10,000
General Fund	10,000	10,000	10,000
Total Other Financing Sources (Uses)	10,000	10,000	20,000
Net Change in Fund Balance	(12,350)	1,176	(1,863)
<u>FUND BALANCE</u> - Beginning of Year	9,925	9,888	11,751
<u>FUND BALANCE</u> (DEFICIT) - End of Year	\$ (2,425)	\$ 11,064	\$ 9,888

CITY OF MCBAIN, MICHIGAN

LAND DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	2008	2007
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 37,939	\$ 44,590
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	37,939	44,590
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 37,939	\$ 44,590
	<hr/>	

CITY OF MCBAIN, MICHIGAN

LAND DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 250	\$ 426	\$ 566
Sale of Land	0	0	8,910
Total Revenues	250	426	9,476
<u>EXPENDITURES</u>			
Economic Development			
Independent Audit	350	400	325
Property Taxes	4,500	5,322	4,356
Contracted Services	0	1,285	932
Industrial Park	0	0	13,144
Miscellaneous	200	70	301
Total Expenditures	5,050	7,077	19,058
Excess (Deficiency) of Revenues			
Over Expenditures	(4,800)	(6,651)	(9,582)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
Transfer to Cemetery Fund	(10,000)	0	(10,000)
Net Change in Fund Balance	(14,800)	(6,651)	(19,582)
<u>FUND BALANCE</u> - Beginning of Year	36,576	44,590	64,172
<u>FUND BALANCE</u> - End of Year	\$ 21,776	\$ 37,939	\$ 44,590

CITY OF MCBAIN, MICHIGAN

CAPITAL OUTLAY EQUIPMENT FUND
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	<u>\$ 17,603</u>	<u>\$ 19,567</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 7,699	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for City Hall Equipment	<u>9,904</u>	<u>19,567</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 17,603</u>	<u>\$ 19,567</u>

CITY OF MCBAIN, MICHIGAN

CAPITAL OUTLAY EQUIPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 50	\$ 64	\$ 67
Sales of Assets	0	0	1,000
Total Revenues	50	64	1,067
<u>EXPENDITURES</u>			
General Government			
Independent Audit	200	0	0
Capital Outlay	20,000	19,547	7,167
Miscellaneous	0	180	270
Total Expenditures	20,200	19,727	7,437
Excess (Deficiency) of Revenues Over Expenditures	(20,150)	(19,663)	(6,370)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
General Fund	10,000	10,000	10,000
Net Change in Fund Balance	(10,150)	(9,663)	3,630
<u>FUND BALANCE</u> - Beginning of Year	19,991	19,567	15,937
<u>FUND BALANCE</u> - End of Year	\$ 9,841	\$ 9,904	\$ 19,567

CITY OF MCBAIN, MICHIGAN

TAX COLLECTION FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 1,454	\$ 6,256
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Governments	\$ 126	\$ 4,250
Due to Other Funds		
General Fund	1,328	2,006
Total Liabilities	1,454	6,256
<u>FUND BALANCE</u>	0	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,454	\$ 6,256

CITY OF MCBAIN, MICHIGAN

TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED APRIL 30, 2008

	BALANCE			BALANCE
	5/1/2007	ADDITIONS	DELETIONS	4/30/2008
<u>ASSETS</u>				
Cash	\$ 6,256	\$ 1,140,113	\$ 1,144,915	\$ 1,454
<u>LIABILITIES</u>				
Due to Other Governments	\$ 4,250	\$ 995,832	\$ 999,956	\$ 126
Due to Other Funds	2,006	144,281	144,959	1,328
TOTAL LIABILITIES	\$ 6,256	\$ 1,140,113	\$ 1,144,915	\$ 1,454

CITY OF MCBAIN, MICHIGAN

COMPONENT UNITS
COMBINING BALANCE SHEET

APRIL 30, 2008
WITH COMPARATIVE TOTALS FOR APRIL 30, 2007

	DOWNTOWN DEVELOPMENT AUTHORITY	TAX INCREMENT FINANCE AUTHORITY	TOTALS	
			2008	2007
<u>ASSETS</u>				
Cash	\$ 99,643	\$ 617,696	\$ 717,339	\$ 724,103
Receivables				
Accounts	0	2,079	2,079	0
Property Taxes	473	8,857	9,330	5,638
Accrued Interest	0	115	115	493
Loans	64,208	496,159	560,367	583,166
Due from Other Funds	2,470	0	2,470	2,120
Due from Other Governments	37	0	37	37
TOTAL ASSETS	\$ 166,831	\$1,124,906	\$1,291,737	\$ 1,315,557
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 91	\$ 91	\$ 890
Due to Other Funds	0	2,470	2,470	2,120
Due to Other Governments	128	0	128	0
Deferred Revenue	64,681	505,016	569,697	588,804
Total Liabilities	64,809	507,577	572,386	591,814
<u>FUND BALANCE</u>				
Unreserved				
Undesignated	102,022	617,329	719,351	723,743
TOTAL LIABILITIES AND FUND BALANCE	\$ 166,831	\$1,124,906	\$1,291,737	\$ 1,315,557

CITY OF MCBAIN, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2007

	DOWNTOWN DEVELOPMENT AUTHORITY CONSTRUCTION FUND	TAX INCREMENT FINANCE AUTHORITY	TOTALS	
			2008	2007
<u>REVENUES</u>				
Taxes	\$ 54,085	\$ 249,014	\$ 303,099	\$ 273,452
Grants	0	0	0	6,193
Interest and Rents	5,803	52,845	58,648	52,940
Other Revenue	9,417	18,847	28,264	25,817
Total Revenues	69,305	320,706	390,011	358,402
<u>EXPENDITURES</u>				
Economic Development	19,560	362,285	381,845	535,151
Debt Service				
Principal	11,954	0	11,954	11,356
Interest	604	0	604	1,120
Total Expenditures	32,118	362,285	394,403	547,627
Excess (Deficiency) of Revenues Over Expenditures	37,187	(41,579)	(4,392)	(189,225)
<u>FUND BALANCE</u> - Beginning of Year	64,835	658,908	723,743	912,968
<u>FUND BALANCE</u> - End of Year	\$ 102,022	\$ 617,329	\$ 719,351	\$ 723,743

CITY OF MCBAIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
COMPARATIVE BALANCE SHEET

APRIL 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 99,643	\$ 62,678
Receivables		
Property Taxes	473	110
Loans Receivable	64,208	73,625
Due from Tax Increment Finance Authority	2,470	2,120
Due from Other Governments	37	37
TOTAL ASSETS	<u>\$ 166,831</u>	<u>\$ 138,570</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 128	\$ 0
Deferred Revenue		
Loans	64,208	73,625
Property Taxes	473	110
Total Liabilities	64,809	73,735
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	102,022	64,835
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 166,831</u>	<u>\$ 138,570</u>

CITY OF MCBAIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Taxes		
Property Taxes	\$ 54,085	\$ 46,373
Interest and Rents		
Rent	3,100	0
Interest Income	2,703	3,307
Other Revenue		
Loan Principal Collections	9,417	8,965
Sale of Land	0	4,392
Miscellaneous	0	200
Total Revenues	<u>69,305</u>	<u>63,237</u>
<u>EXPENDITURES</u>		
Downtown Development Authority		
Secretary/Treasurer	2,347	2,347
Insurance	2,297	2,006
Audit	1,300	900
Maintenance	861	598
Sidewalks	0	3,784
Parking	9,419	1,855
Business Development	0	400
Property Taxes	2,952	0
Capital Outlay - Land	0	40,602
Miscellaneous	384	482
Debt Service	0	
Principal Payments	11,954	11,356
Interest Expense	604	1,120
Total Expenditures	<u>32,118</u>	<u>65,450</u>
Excess (Deficiency) of Revenues		
Over Expenditures	37,187	(2,213)
<u>FUND BALANCE</u> - Beginning of Year	<u>64,835</u>	<u>67,048</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 102,022</u>	<u>\$ 64,835</u>

CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
COMPARATIVE BALANCE SHEET

APRIL 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 617,696	\$ 661,425
Receivables		
Accounts	2,079	0
Property Taxes	8,857	5,528
Accrued Interest	115	493
Loans Receivable	496,159	509,541
TOTAL ASSETS	<u>\$ 1,124,906</u>	<u>\$ 1,176,987</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 91	\$ 890
Due to Downtown Development Authority	2,470	2,120
Deferred Revenue		
Loans	496,159	509,541
Property Taxes	8,857	5,528
Total Liabilities	507,577	518,079
<u>FUND BALANCE</u>		
Unreserved	617,329	658,908
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,124,906</u>	<u>\$ 1,176,987</u>

CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED APRIL 30,

	2008	2007
<u>REVENUES</u>		
Taxes		
Property Taxes	\$ 249,014	\$ 227,079
Federal Grants	0	6,193
Interest and Rents		
Rent	11,000	0
Interest	41,845	49,633
Other Revenue		
Revolving Loan Payments	18,841	12,235
Miscellaneous	6	25
Total Revenues	320,706	295,165
<u>EXPENDITURES</u>		
Economic Development		
Salaries and Wages	4,693	4,693
Contracted Administrative Services	61,560	61,560
Legal Fees	6,078	9,341
Independent Audit	1,300	900
Insurance	4,702	3,209
Taxes	12,850	19,505
Business Development	28,930	57,552
Security Cameras	9,600	18,476
Fire Truck Payment	100,000	0
Industrial Park Maintenance	73,431	55,139
Public Improvements	56,895	109,909
Feasibility Study	0	12,285
Equipment Purchase	0	3,619

CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED APRIL 30,

	2008	2007
Sidewalks	1,500	226
Refund of Captured Taxes	0	125,596
Miscellaneous	746	167
Total Expenditures	362,285	482,177
Excess (Deficiency) of Revenues Over Expenditures	(41,579)	(187,012)
<u>FUND BALANCE</u> - Beginning of Year	658,908	845,920
<u>FUND BALANCE</u> - End of Year	<u>\$ 617,329</u>	<u>\$ 658,908</u>

CITY OF MCBAIN, MICHIGAN
MISSAUKEE COUNTY SANITARY SEWER COLLECTION, TREATMENT AND
DISPOSAL SYSTEM (MCBAIN SYSTEM NO. 1) BONDS PAYABLE
APRIL 30, 2008

TITLE OF ISSUE Missaukee County Sanitary Sewer Collection,
Treatment and Disposal System (McBain System No. 1)
Bonds.

DATE OF ISSUE December 18, 1978

PURPOSE To defray part of the cost of acquiring and constructing
a sanitary sewer collection, treatment and disposal
system to serve the City of McBain.

PAYMENT Principal and interest are payable solely from monies to
be received by the County of Missaukee from the City
of McBain, pursuant to a contract dated March 1, 1978.
For the making of such payments, the City of McBain
has pledged its full faith and credit.

AMOUNT OF ISSUE \$ 340,000

AMOUNT REDEEMED

Current Year	\$ 12,000	
Prior Years	298,000	310,000

OUTSTANDING BALANCE - April 30, 2008 \$ 30,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
October 1, 2008			\$ 750	\$ 750
April 1, 2009	5.000%	\$ 12,000	750	12,750
October 1, 2009			450	450
April 1, 2010	5.000%	13,000	450	13,450
October 1, 2010			125	125
April 1, 2011	5.000%	5,000	125	5,125
		<u>\$ 30,000</u>	<u>\$ 2,650</u>	<u>\$ 32,650</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

July 7, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of McBain
McBain, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McBain, Michigan as of and for the year ended April 30, 2008, which collectively comprise the City of McBain, Michigan's basic financial statements and have issued our report thereon dated July 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of McBain, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of McBain, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of McBain, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of McBain, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of McBain, Michigan's financial statements that is

more than inconsequential will not be prevented or detected by the City of McBain, Michigan's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

The relatively small number of people involved in the accounting functions of the City makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Council to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of McBain, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether City of McBain, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

We noted certain matters that we reported to management of the City of McBain, Michigan, in a separate letter dated July 7, 2008.

This report is intended for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

BAIRD, COTTER AND BISHOP, P. C.

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July 7, 2008

To the City Council
City of McBain
McBain, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McBain, Michigan, as of and for the year ended April 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of McBain's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified the following deficiencies in internal control that we consider to be significant deficiencies.

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the City and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the deficiency described in number 1 above (Lack of Segregation of Duties) is a material weakness.

This report is intended solely for the information and use of the City Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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July 7, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the City Council
City of McBain
McBain, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McBain for the year ended April 30, 2008, and have issued our report thereon dated July 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 7, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City of McBain's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of McBain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of McBain's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal

programs for the purpose of expressing an opinion on the City of McBain's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of McBain's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of McBain are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries, which were reviewed and accepted by management. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 7, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of the City of McBain for the year ended April 30, 2008, we noted the following item which we feel deserves comment.

Budgeting

By adopting budgets with a deficit fund balance in the Local Street Fund and Cemetery Fund resulted in a budget violation according to Public Act 621 of 1978.

This communication is intended solely for the information and use of the City Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.